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TAGS: [PGOV](#) [PREL](#) [EFIN](#) [ECON](#) [GR](#)
SUBJECT: GREEK PM STAYS THE COURSE DESPITE OBSTACLES

REF: A. ATHENS 1380
[1](#)B. ATHENS 1397

Classified By: A/POLCOUNS PAUL CARTER. REASONS 1.4 (B) AND (D)

DAMN THE TORPEDOES, FULL SPEED AHEAD

[1](#)1. (SBU) Buffeted by scandals and allegations of financial mismanagement, as well as dissent within his own New Democracy party (ref A), PM Karamanlis called an emergency cabinet meeting on October 2 to reassert his authority and strengthen resolve to continue forward with the government's reform agenda. In a brief statement after the meeting, Karamanlis insisted he would not abandon "the mandate for change" won by ND in the September 2007 elections and indicated he had no intention to move to early elections or a major cabinet reshuffle.

[1](#)2. (SBU) On October 3, the government announced the abrogation of all ministerial decrees approving legal opinions that recognize property rights on land tracts of the Vatopaidion monastery (source of the recent scandal allegations) and the annulment of all protocols of land transfers associated with these decrees. Karamanlis also moved to allay widespread fears about the impact of the global economic crisis by instructing National Economy and Finance Minister Alogoskoufis to introduce a bill aimed at shielding Greek borrowers as much as possible from the immediate impact of the crisis (ref B). The bill's provisions place restrictions on how banks treat their customers' deposits, disallow repossessions of houses for debts of less than 20,000 euro, and lay down strict rules for auctioning properties, a process now placed under court supervision. At the same time, Karamanlis pushed through Parliament a controversial privatization bill to liquidate Greece's bankrupt national air carrier Olympic Airlines and replace it with a leaner company capable of making a profit. As angry Olympic workers noisily protested in front of the Parliament building, Karamanlis said: "These reforms will continue, despite the opposition of those with vested interests, who wallowed for decades in stagnation... We have been elected to change things, and this is what we will do."

...BUT SERIOUS OBSTACLES REMAIN

[1](#)3. (SBU) These damage-limitation measures, however, do not change Karamanlis's precarious parliamentary majority (151 of 300 seats) or completely preclude another internal ND crisis. (NOTE: On October 3, the deputy GOG spokesman announced that expelled ND deputy Dailakis had sent a letter of apology and a request to be re-admitted into the party to Karamanlis, who would "examine" it. END NOTE.) As a result, pro-Karamanlis lawmakers are rallying to the cry of "Karamanlis or chaos" raised by Education Minister Stylianiades during a televised interview on October 2. Various "interests," Stylianiades

said, were obviously "at work to cede" the country's government to the parties of the left. But the government, Stylianides predicted, had no immediate problem that would push it to the ballot box.

¶4. (C) COMMENT: Karamanlis has, at least temporarily, checked in-party opposition and fended off calls from even senior ND members for an early election. But none of the causes of the current turmoil -- the festering scandal over the Vatopaidion monastery, concerns about the impact on Greece of the global financial crisis, and discontent over the implementation of tough pension and privatization reforms -- have yet diminished. Karamanlis is often called the "Buddha" of Greek politics because he keeps his own counsel and rarely indicates what he is planning. For now, we take him at his word that no new elections or a major cabinet reshuffle are on the immediate horizon. But the ND majority in Parliament is as small as it can be, and the Buddha is likely always contemplating ways to strengthen his position -- including eventual elections or personnel changes.

SPECKHARD